CME Group

Sean M. Downey
Associate Director and Assistant General Counsel
Legal Department

March 8, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: **Rule 40.2(a) Certification. Notification Regarding the Listing of Copper Calendar Swap Futures and Copper Average Price Option Contracts for Trading on the COMEX Trading Floor and for Submission for Clearing through CME ClearPort**
COMEX Submission #12-045

Dear Mr. Stawick:

The Commodity Exchange, Inc. ("COMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of Copper Calendar Swap futures and Copper Average Price option contracts for trading on the COMEX trading floor and for submission for clearing through CME ClearPort on Sunday, March 11, 2011, for trade date Monday, March 12, 2012.

The contract specifications are as follows:

Contract Title	Copper Calendar Swap Futures	Copper Average Price Option
Commodity Code	HGS	CAP
Contract Size	25,000 lbs	25,000 lbs
First Listed Month	April 2012	April 2012
Listing Period	23 consecutive months for which a COMEX Copper futures contract is listed	23 consecutive months for which a COMEX Copper Calendar Swap futures contract is listed
Termination of Trading	Trading terminates on the last business day of the contract month	Trading terminates on the last business day of the contract month
Minimum Price Intervals	$0.0001	$0.0001
Value per Tick	$2.5000	$2.5000
Settlement Tick	$0.0001	$0.0001
Rule Chapter	1190	1191

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these contracts will be governed by the provisions of Exchange Rule 538.

Trading and Clearing Hours:

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

Trading and Clearing Hours:

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

Trading and Clearing Fees:

- **Copper Calendar Swap Futures**

Exchange Fees					
	Member Day	**Member**	**Cross Division**	**Non-Member**	**IIP**
Pit	NA	$.95	$1.45	$1.95	
Globex	NA	NA	NA	NA	
ClearPort		$.95		$1.95	

Processing Fees			
	Member	**Non-Member**	
Cash Settlement	$.95	$1.95	*only applies to financially settled contracts*
Futures from E/A	NA	NA	*applies to futures contracts*
	House Acct	**Cust Acct**	
Options E/A Notice	NA	NA	*applies to physical options*
Delivery Notice	NA	NA	*applies to physical futures*

Additional Fees and Surcharges		
EFS Surcharge	NA	*$2.50 fee typically only charged on our core physical contracts*
Block Surcharge	$0.10	*$0.10 fee charged on block trades*
Facilitation Desk Fee	$0.20	*fee applies to CPC trades entered by ClearPort Market Ops*

- **Copper Average Price Option**

Exchange Fees					
	Member Day	**Member**	**Cross Division**	**Non-Member**	**IIP**
Pit	NA	$.95	$1.45	$1.95	
Globex	NA	NA	NA	NA	
ClearPort		$.95		$1.95	

Processing Fees			
	Member	**Non-Member**	
Cash Settlement	$.95	$1.95	*only applies to financially settled contracts*
Futures from E/A	NA	NA	*applies to futures contracts*
	House Acct	**Cust Acct**	
Options E/A Notice	NA	NA	*applies to physical options*
Delivery Notice	NA	NA	*applies to physical futures*

20 South Wacker Drive, Chicago, Illinois 60606 T 312 930 8167 F 312 930 3323 sean.downey@cmegroup.com cmegroup.com

Additional Fees and Surcharges		
EFS Surcharge	NA	**$2.50 fee typically only charged on our core physical contracts*
Block Surcharge	$0.10	**$0.10 fee charged on block trades*
Facilitation Desk Fee	$.20	**fee applies to CPC trades entered by ClearPort Market Ops*

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. The terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, diminishing balances and aggregation allocation for the new contracts.

Exchange business staff responsible for the new products and the Exchange legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, Exchange staff identified that the new products may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in this contract will be subject to the NYMEX and COMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

- Contracts not Readily Subject to Manipulation: The new products are not readily subject to manipulation due to the deep liquidity and robustness in the underlying COMEX copper futures market which provides diverse participation and sufficient spot transactions.

- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- Position Limitations or Accountability: The spot month position limits for the Copper Calendar Swap futures and the Copper Average Price option (which will aggregate into the Copper Calendar Swap futures) are set at less than 18% of the deliverable supply in the underlying market.

- Availability of General Information: The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest and price information.

- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

- Execution of Transactions: The new contracts are dually listed for clearing through the CME ClearPort platform and for open outcry trading on the COMEX trading floor. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the COMEX trading floor is available as a venue to provide for competitive and open execution of transactions.

- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in these products.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- Dispute Resolution: Disputes with respect to trading in these contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for these new products is attached.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at http://www.cmegroup.com/market-regulation/rule-filings.html.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Associate Director and Assistant General Counsel

Attachments: Appendix A: Rule Chapter
Appendix B: Chapter 5 Table
Appendix C: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

Chapter 1190
Copper Calendar Swap Futures

1190100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1190101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the COMEX Copper futures first nearby contract settlement price for each business day that it is determined during the contract month rounded to the nearest $0.0001 per pound.

1190102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1190102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1190102.B. Trading Unit

The contract quantity shall be 25,000 pounds. Each contract shall be valued as the contract quantity multiplied by the settlement price.

1190102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per pound. The minimum price fluctuation shall be $0.0001 per pound.

1190102.D. Position Limits and Position Accountability

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

In accordance with Rule 559, no person shall own or control positions in excess of 1,200 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 5,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1190102.E. Termination of Trading

Trading shall terminate on the last business day of the contract month. Business days are based on the U.S. Public Holiday calendar.

1190103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

Appendix A

Chapter 1191
Copper Average Price Option

1191100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Copper Calendar Swap futures contracts. In addition to the rules of this chapter, transactions in options on Copper Calendar Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

1191101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

1191101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1191101.B. Trading Unit

A Copper Average Price call option traded on the Exchange represents the cash difference between the settlement price of the underlying Copper Calendar Swap futures and the strike price, or zero, whichever is greater. A Copper Average Price put option traded on the Exchange represents the cash difference between the strike price and the settlement price of the underlying Copper Calendar Swap futures, or zero, whichever is greater.

1191101.C. Price Increments

Prices shall be quoted in dollars and hundredths of cents per pound and prices shall be in multiples of $0.0001 per pound. The minimum price increment will be $0.0001.

1191101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Copper Calendar Swap futures. Each position in the contract will be calculated as a single position in the Copper Calendar Swap futures contract.

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

In accordance with Rule 559, no person shall own or control positions in excess of 1,200 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 5,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1191101.E. Termination of Trading

The option contract shall expire at the close of trading on the last business day of the contract month. Business days are based on the U.S. Public Holiday calendar.

1191101.F. Type Option

The option is an European-style option cash settled only on expiration day.

1191102. EXERCISE PRICES

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Copper Calendar Swap futures contracts in the corresponding contract month rounded off to the nearest one cent increment strike price unless such settlement price is precisely midway between two one-cent increment strike prices in which case it shall be rounded off to the lower one cent increment strike price and (ii) the strike price which is one cent increment higher than the strike price described in subsection (A)(i) of this rule and (iii) the strike price which is one cent increment lower than the strike price described in subsection (A)(i) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive one cent increment strike prices for both puts and calls will be added such that at all times there will be at least one cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in Copper Average Price option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Copper Average Price option in which no new strike prices may be introduced.

Appendix B

NYMEX Rulebook Chapter 5 Position Limit Table
(Bold/underline indicates additions)

Contract Name	**Rule Chapter**	**Commodity Code**	**Diminishing Balances Contracts**	**All Month Accountability Level**	**Any One Month Accountability Level**	**Expiration Month Limit**	**Reporting Level**	**Aggregate Into (1)**
				Rule 560	**Rule 560**	**Rule 559**	**Rule 561**	
Metals								
USA								
Copper Calendar Swap Futures	**1190**	**HGS**	*	**5,000**	**5,000**	**1,200**	**25**	**HGS**
Copper Average Price Options	**1191**	**CAP**	*	**5,000**	**5,000**	**1,200**	**25**	**HGS**

Appendix C

CASH MARKET OVERVIEW

Commodity Exchange, Inc. ("COMEX" or "Exchange") is self-certifying the listing of a Copper Calendar Swap futures and Copper Average Price option contracts for trading on the COMEX trading floor and for clearing through CME ClearPort.

Contract	Code	Rule Chapter
Copper Calendar Swap Futures	HGS	1190
Copper Average Price Option	CAP	1191

Copper is mainly used in the industrial sector and is sensitive to variances in economic cycles, changes in technology, and competition between industrial consumers. Because of its properties, singularly or in combination, copper has become a major industrial metal, ranking third after iron and aluminum in terms of quantities consumed.[1] Copper is also used in power transmission and generation, building wiring, telecommunication and electronic products. Copper is produced largely in two different ways; by mining activity known as 'primary' and also by scrap recycling activity or 'secondary'. Building construction is the single largest consumer of the copper, followed by other industrial sectors.

Since the emerging economies, notably China, started entering the steel market to build their infrastructure along with expedited globalization in the past 5 years, raw materials, including copper have become one of the more volatile global commodities. Due to its close ties with the industrial sector, copper experienced a huge price drop in 2009 shortly after the financial crisis in late 2008. The average price for 2009 was $2.35/lb, a 25% drop from average 2008 price of $3.13/lb. However, copper metal demand recovered significantly in 2010 as industrial production rebounded in 2009 from the economic crisis.

Production

According to U.S. Geological survey, the world produced 16.2 million metric tons of primary copper in 2010. Specifically, Latin America (with Chile producing the biggest part) is the biggest copper mined producer in the world and produced approximately 6.8 million metric tons of copper. Asia is the second largest copper mined producer of and produced approximately 2.4 million metric tons in 2010.

[1] http://www.copper.org/resources/market_data/pdfs/annual_data.pdf

Appendix C

The U.S. made up about 7% of the world's copper mined production in 2010. The imbalance between demand and production has lead to massive import volumes to Asia. Specifically, China alone consumed 40% of the world mined production in 2010. Table 1 below indicates the world production of primary copper in 2010 compared to 2009.

Table 1[2]: The World Primary Production of Copper (thousand metric tons)

Countries	Production in 2009	Production in 2010
U.S	1,180	1,120
Australia	854	900
Canada	491	480
Chile	5,390	5,520
China	995	1,150
Indonesia	996	840
Kazakhstan	390	400
Mexico	238	230
Peru	1,275	1,285
Poland	439	430
Russia	725	750
Zambia	697	770
Other countries	2,190	2,300

Domestic mine production of copper in 2010 declined by about 5% to 1.12 million metric tons, but its value rose to about $8.4 billion.[3] The principal mining states – Arizona, Utah, Nevada, New Mexico, and Montana – accounted for more than 99% of domestic production.[4] Even though the demand

[2] http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2011-coppe.pdf
[3] http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2011-coppe.pdf
[4] http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2011-coppe.pdf

decreased since the financial crisis in 2008, the supply diminished during the same time period. U.S. mine and refinery production continued to decline in 2010 as a result of lower primary copper grades and mine cutbacks which began at the end of 2008. With the copper concentrate market remaining in deficit, and despite the potential for an increase in the availability of secondary copper to the market, global copper demand increased at a greater rate than total copper supply. This influenced the copper price to rise to $4.03/lb level in 2011 compared to $3.43/lb level of the year prior. This trend is expected to continue through 2012.

Consumption

Domestic consumption of refined copper rose by about 5% in 2010, but remained below the 2008 level.[5] While consumption in 2010 increased significantly in North America and Europe, consumption in the Asian market increased only moderately as a result of China's significant inventory accumulation during 2009.

Table 2[6]: Copper Content of Mine Production in the U.S. (thousand metric ton)

Year	Production
2010	1,223
2009	1,302
2008	1,444
2007	1,287
2006	1,319
2005	1,257
2004	1,257
2003	1,230
2002	1,256
2001	1,477
2000	1,598

[5] http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2011-coppe.pdf
[6] http://www.copper.org/resources/market_data/pdfs/annual_data.pdf

Physical Trading

Physical trade in copper takes place throughout the supply chain, and includes miners, refineries, distributors, merchants, traders and end-users. Average price contracts are a preferred hedging tool by commercial market participants in the copper industry. For example, commercials, such as mining companies and construction companies who hold inventory and conduct daily transactions for physical copper, are subject to price exposure each day of the month. The average price contracts provide such price protection throughout the month. Both calendar swap futures and average price options will offer this price protection on an average basis throughout the month. These contracts will help the industry commercial market participants to better manage volatility and long term budget planning.

Inventory

During the past five years, the average daily copper stock level has been 53,960 short tons based on COMEX warehouses stock figures at Exchange-Licensed warehouses. This average equates to 4,317 copper contract equivalents. In comparison, during the past three years, the copper stock level has increased to an average of 77,199 short tons or 6,176 contract equivalents. The Exchange believes that the Exchange copper inventories, as reported by Exchange-approved copper warehouses, represent a reliable and conservative measure of copper deliverable supply. The copper stored in these warehouses is readily available for delivery against the Exchange's Copper futures contract and is considered the basis for deliverable supply.

Table 3: COMEX Average Daily Copper Stock Level per Month (in Short Tons and in Contract Units)

Month	Copper Stock in Short Tons	Copper Stock in Contract Equivalents
Jan-07	35,925	2,874
Feb-07	36,455	2,916
Mar-07	36,486	2,919
Apr-07	35,475	2,838
May-07	31,148	2,492
Jun-07	24,540	1,963
Jul-07	21,836	1,747
Aug-07	21,208	1,697
Sep-07	20,372	1,630
Oct-07	19,720	1,578
Nov-07	18,541	1,483

Appendix C

Month	Copper Stock in Short Tons	Copper Stock in Contract Equivalents
Dec-07	16,273	1,302
Jan-08	14,318	1,145
Feb-08	13,830	1,106
Mar-08	12,482	999
Apr-08	11,617	929
May-08	10,813	865
Jun-08	11,044	883
Jul-08	8,328	666
Aug-08	5,606	448
Sep-08	7,400	592
Oct-08	9,295	744
Nov-08	11,879	950
Dec-08	23,823	1,906
Jan-09	37,063	2,965
Feb-09	42,179	3,374
Mar-09	44,853	3,588
Apr-09	47,460	3,797
May-09	50,626	4,050
Jun-09	58,745	4,700
Jul-09	58,176	4,654
Aug-09	53,381	4,270
Sep-09	53,293	4,263
Oct-09	57,097	4,568
Nov-09	72,009	5,761
Dec-09	94,027	7,522
Jan-10	100,878	8,070
Feb-10	104,390	8,351
Mar-10	101,897	8,152
Apr-10	101,128	8,090
May-10	101,286	8,103
Jun-10	101,986	8,159
Jul-10	101,214	8,097
Aug-10	98,095	7,848
Sep-10	90,340	7,227
Oct-10	79,275	6,342
Nov-10	73,776	5,902
Dec-10	66,451	5,316
Jan-11	66,196	5,296
Feb-11	77,590	6,207
Mar-11	84,389	6,751
Apr-11	83,890	6,711

Month	Copper Stock in Short Tons	Copper Stock in Contract Equivalents
May-11	81,881	6,550
Jun-11	80,370	6,430
Jul-11	80,956	6,476
Aug-11	84,201	6,736
Sep-11	86,221	6,898
Oct-11	88,449	7,076
Nov-11	87,680	7,014
Dec-11	87,709	7,017
Five Year Average	**53,960**	**4,317**
Three Year Average	**77,199**	**6,176**

Source: CME Group

Historical Volume and Price Data

Table 4 and Figure 1 below provide spot month settlement prices and monthly volume and month-end open interest, respectively, as published by the Exchange for its COMEX Copper futures contract. The average daily volume in copper futures was 49,570 contracts in 2011, setting a new record for the fifth consecutive year. Average open interest in copper futures for 2011 was 133,750 contracts, the second highest level in the history of the contract. In the first quarter 2011, the copper spot settlement price averaged $4.3803/lb. By the fourth quarter 2011, the price declined to an average of $3.4889/lb. However please note that, compared to 2009, both copper price and volume recovered to the pre 2008 financial crisis levels.

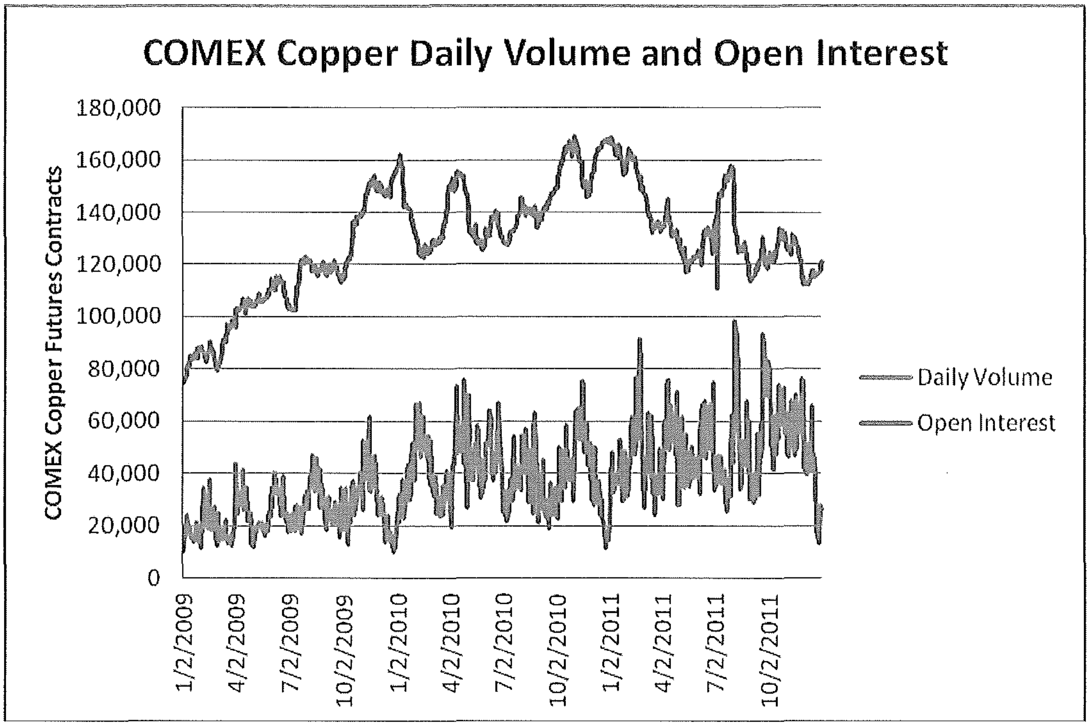
Table 4: COMEX Copper Month-End Spot Settlement Prices (Dollars per pound)

Month	2009	2010	2011
January	1.4620	3.0460	4.4510
February	1.5260	3.2685	4.4780
March	1.8390	3.5460	4.3000
April	2.0530	3.3375	4.1655
May	2.1980	3.0970	4.1735
June	2.2580	2.9360	4.2720
July	2.6160	3.3070	4.4740
August	2.8080	3.3610	4.1870
September	2.8090	3.6460	3.1450
October	2.9475	3.7320	3.6290
November	3.1485	3.8230	3.5630

December	3.3275	4.4395	3.4315

Source: CME Group

Figure 1: COMEX Copper Futures Daily Volume and Open Interest



Source: CME Group

Settlement

COMEX Copper Futures Settlement Methodology

The COMEX Copper futures active contract month is settled at the volume weighted average price ("VWAP") of the outright trades executed on CME Globex and the COMEX trading floor in that month, during the closing range (12:59 p.m. EPT – 1:00 p.m. EPT), rounded to the nearest tradable tick. The current delivery month settlement price is comprised of the VWAP of all outright transactions in that month on both CME Globex and the COMEX trading floor during the closing range, combined with the VWAP of all spreads traded on CME Globex and the COMEX trading floor between the current delivery month and the active month during the final 30 minutes of trading.

Copper Calendar Swap Futures Settlement Methodology

Appendix C

During the contract month, the daily settlement price is calculated based on a weighted average of the realized average of spot month COMEX Copper futures (month to date) and the balance of month forecast. Since the balance of month forecast is not known, the practice is to use the last settlement price as a proxy. As the contract month progresses, the realized average becomes a greater weight until the last day of the contract month when the realized average becomes the full weight. Consequently, on the last day, the average is all realized and none forecasted and becomes the final settlement.

Table 5, below provides an example of the copper calendar swap daily to final settlement methodology based on December 2011 contract settlement prices. This example is based on 21 business days.

Table 5: Settlement Price Example – December 2011 Contract Month (21 business days)

Date	Copper spot month settlement	MTD Average	Weight	Balance of Month Forecast	Weight	Weighted Average
12/1/2011	352.20	352.20	0.0476	352.20	0.9524	352.20
12/2/2011	357.25	354.73	0.095238095	357.25	0.9048	357.01
12/5/2011	360.40	356.62	0.142857143	360.40	0.8571	359.86
12/6/2011	356.55	356.60	0.19047619	356.55	0.8095	356.56
12/7/2011	354.50	356.18	0.238095238	354.50	0.7619	354.90
12/8/2011	348.95	354.98	0.285714286	348.95	0.7143	350.67
12/9/2011	354.70	354.94	0.333333333	354.70	0.6667	354.78
12/12/2011	345.45	353.75	0.380952381	345.45	0.6190	348.61
12/13/2011	343.25	352.58	0.428571429	343.25	0.5714	347.25
12/14/2011	327.10	350.04	0.476190476	327.10	0.5238	338.02
12/15/2011	325.95	347.85	0.523809524	325.95	0.4762	337.42
12/16/2011	332.40	346.56	0.571428571	332.40	0.4286	340.49
12/19/2011	330.10	345.29	0.619047619	330.10	0.3810	339.50
12/20/2011	336.30	344.65	0.666666667	336.30	0.3333	341.87
12/21/2011	338.90	344.27	0.714285714	338.90	0.2857	342.73
12/22/2011	340.90	344.06	0.761904762	340.90	0.2381	343.30
12/23/2011	346.35	344.19	0.80952381	346.35	0.1905	344.60
12/27/2011	340.40	343.98	0.857142857	340.40	0.1429	343.47
12/28/2011	336.00	343.56	0.904761905	336.00	0.0952	342.84
12/29/2011	336.55	343.21	0.952380952	336.55	0.0476	342.89
12/30/2011	343.15	343.21	1.000000000	343.15	0.0000	343.21

It should be noted that both proposed contracts are based on average prices over the entire month. Assuming that typical trading months are comprised of 21 days, any one daily settlement price on average will determine less than 5% of the final settlement price on these contracts. Moreover, the settlement period for the COMEX Copper futures contract extends to 30 minutes during the delivery month from just 1 minute in non-delivery months. Between the full month (20 or more business day) averaging process, as well as the 30 minute settlement period, there would be on average more than 600 minutes of trading that would go into the final settlement of both the futures and option contracts.

Below is Table 6 which illustrates the average spot volume of the last 30 minutes of trading volume in the past year of the COMEX Copper futures contract by calendar month.

Table 6: Average Spot Month Volume for COMEX Copper Futures

Calendar Month	Avg. Spot Month Volume
Jan-11	54
Feb-11	249
Mar-11	57
Apr-11	86
May-11	64
Jun-11	69
Jul-11	97
Aug-11	88
Sep-11	59
Oct-11	39
Nov-11	41
Dec-11	61

Table 7 below, provides bid/offer quantities in 2011 for the delivery month contract during the closing range for COMEX Copper futures.

Table 7: Total of Best 5 Bid/Ask Quantity for Spot Month Copper Futures

Month	Outright	Spread		Month	Outright	Spread
Jan-11	0	60		Jul-11	3	148
Feb-11	1	111		Aug-11	1	154
Mar-11	3	126		Sep-11	5	230
Apr-11	1	67		Oct-11	1	66
May-11	3	103		Nov-11	3	73
Jun-11	1	83		Dec-11	10	156

Appendix C

ANALYSIS OF DELIVERABLE SUPPLY

As stated earlier, the Exchange believes that the Exchange copper inventories, as reported by Exchange-approved copper warehouses, represent a reliable and conservative measure of copper deliverable supply. The copper stored in these warehouses is readily available for delivery against the Exchange's Copper futures contract and is considered the basis for deliverable supply for the copper calendar swap futures and average price option contracts.

During the past five years, the average daily copper stock level was 53,960 short tons which is equivalent to 4,317 copper contract units, based on COMEX warehouse stock figures. The stock level continued to increase significantly in the past 3 years resulting in an average of 77,199 short tons or 6,176 contract equivalents. The Exchange determined to set the expiration month limit for each of Copper Calendar Swap futures and Copper Average Price option contracts at 1,200 contract units. In addition, the Exchange will aggregate positions in the Copper Average Price option into the Copper Calendar Swap futures (HGS) contract. The spot month position limits for both contracts fall below 19% of the daily deliverable supply based on average 2009-2011 COMEX inventory levels.